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China - Peoples Republic of

Sugar Annual

Sugar

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Report Highlights:

In marketing year (MY) 2013/14, total sugar production is forecast at 14.1 million tons (raw value), up slightly from the previous year. For MY 2013/14, sugar cane and beet production (crop) is estimated at 130 million tons and 12.5 million tons on better than average and average yields. MY 2013/14 sugar imports are forecast at 2 million tons, unchanged from the previous year on competitive prices. For MY 2013/14, ending stocks are forecast to rise 11.5 percent to 5.9 million tons (raw value) on slow domestic demand.

Executive Summary:

In marketing year (MY) 2013/14, total sugar production is forecast at 14.1 million tons (raw value), up slightly from the previous year. For MY 2013/14, sugar cane and beet production (crop) is estimated at 130 million tons and 12.5 million tons on better than average and average yields. MY 2013/14 sugar imports are forecast at 2 million tons, unchanged from the previous year on competitive prices. For MY 2013/14, ending stocks are forecast to rise 11.5 percent to 5.9 million tons (raw value) on slow domestic demand.

Centrifugal Sugar Production

In marketing year (MY) 2013/14, total sugar production is forecast at 14.1 million tons (raw value), up slightly from the previous year due to projected better than average yields. Cane and beet sugar production is projected at 12.85 million tons and 1.2 million tons (raw value), respectively.

Sugar Cane

For MY 2013/14, total sugar cane area is forecast at 1.75 million hectares (Ha), down slightly from the previous year. Production is projected to increase 1.5 percent to 130 million tons on better than average yields. Reportedly, due to a reduction in cane prices, farmers with less cane acreage switched to relatively more profitable cash crops such as vegetables or horticulture.

For MY 2013/14, in Guangxi, the largest sugar cane producing province, sources noted that less winter rainfall and prolonged cloudy days delayed fall and winter cane growth. However, reportedly this should not affect cane yields. Sources noted that warm weather facilitated improved sowing conditions for the spring.

For MY 2012/13, production fell 1.5 percent to 128,000 tons on rainy weather and low temperatures, which reduced sugar content in Guangxi and Yunnan provinces. According to the China Sugar Association (CSA), the sugar extraction rate in Guangxi province is estimated at 11.67 percent, or 0.31 percentage points lower than last year. Some industry sources estimated this reduction might lower overall production by 500,000 tons, or approximately 6 percent. The crushing season in Guangxi is expected to end in April 2013.

State media reported that winter drought reduced yield and sugar content for an estimated 2 million mu (133,000 Ha) in Yunnan, the second highest sugar cane producing province (accounts for 20 percent of total domestic sugar production). This might lead to a reduction of 881,000 tons in cane production for Yunnan province, or an equivalent loss of more than 100,000 tons of processed sugar.

Sugar Cane Prices

Provincial governments establish a guidance purchasing price for sugar cane, which is the standard sugar cane price for the whole province (sugar mills have to purchase sugar cane at the guidance price and cannot raise the price or offer a discount). Not all provincial guidance prices are available (see matrix below). For some selected high quality varieties that have a higher sugar content, sugar mills are allowed to offer an additional RMB 30 per ton (for more information on the guidance price see GAIN CH12032). For MY 2012/13 some sources believe higher yields will offset the lower price.

Purchase Price of Sugar Cane in Major Producing Provinces				
RMB per ton (USD $1.00 = RMB 6.30)				
	Guangxi	Yunnan	Guangdong	Hainan
MY 2010/11	492	375	540-550	525
MY 2011/12	500	420	510	550
MY 2012/13	475	420	NA	NA
Industry Sources				

In MY 2012/13, according to CSA, low sugar market prices and high production costs caused a negative profit margin for sugar mills. Industry sources reported the average sugar price ranged from RMB 5,300 to 5,400 per ton ($857 per ton), or RMB 1000 per ton ($159 per ton) lower than the previous year. Production costs generally average around RMB 5,300 to 5,400 per ton, which provides a very thin profit margin.

Sugar Beets

For MY 2013/14, sugar beet area is forecast at 300,000 Ha, unchanged from the previous year. Production (crop) is estimated at 12.5 million tons on average yields. Xinjiang, Heilongjiang, and Inner Mongolia comprise approximately 90 percent of China's total sugar beet output.

For MY 2012/13, overall sugar beet production (crop) is revised to 12.5 million tons on higher yields and acreage. According to CSA, sugar beet production (processed sugar) is estimated at 1.08 million tons, up 7 percent from the previous year. Xinjiang and Inner Mongolia sugar beet production rose 16 and 30 percent to 550,000 and 160,000 tons on higher yields and acreage.

Sugar beet mills contract and incentivize farmers to produce sugar beets. Because there is no guidance price (like sugar cane), sugar beet mills voluntarily raise the sugar beet purchase price to obtain contracts, as well as provide extension services and other inputs (usually offered at a discounted rate) such as tractors, seed, and fertilizer.

Purchase Price of Sugar Beets in Major Producing Provinces			
RMB per ton (USD $1.00 = RMB 6.3)			
	Xinjiang	Heilongjiang	Inner Mongolia
MY 10/11	353	400	390
MY 11/12	450	532	480-500
MY12/13	450	560	500
Industry Sources			

Consumption

MY 2012/13 sugar consumption is forecast at 15.4 million tons (raw value), up 4 percent from the previous year. In MY 2012/13 low domestic corn prices caused starch sugar to be more price competitive than natural sugar (i.e. sugar cane and sugar beet) for use in the food processing and beverage sectors. Overall sugar consumption (for both natural and starch sugar) is estimated to ease on less dairy and soft drink consumption due to consumer concerns from recent food safety scandals and expectations of low purchasing power on slower economic growth.

Trade

MY 2013/14 sugar imports are forecast at 2 million tons, unchanged from the previous year on competitive prices.

According to trade sources, imported sugar prices are estimated from RMB 4,500 to 4,600 per ton ($730 per ton, within tariff-rate quota (TRQ)), which is RMB 1,000 per ton ($159 per ton) lower than the wholesale sugar price in Guangxi and other provinces.

Reportedly, sugar mills are lobbying the central government to crack down on smuggling and exercise more control over import quota allocations. Some industry sources noted that the import tariff rate (see tariff rates in below paragraph) is not high enough to protect the domestic sugar industry due to competitively priced imports. For instance, in MY 2011/12, reportedly some sugar imports were purchased at the out-of-quota rate and still could be sold domestically at a profit.

Since 2005, the TRQ amount has not changed. The TRQ is 1.95 million tons, with an in-quota-tariff of 15 percent, and an out-of-quota tariff rate of 50 percent. It is unlikely that the government will change the current tariff structure. If supplies are insufficient to meet demand needs after the in-quota rate has been filled, the government may allow a state –owned company to import additional sugar (which may be at the in-quota tariff rate).

Stocks

For MY 2013/14, ending stocks are forecast to rise 11.5 percent to 5.9 million tons (raw value) on slow domestic demand (see consumption section). For MY 2012/13, in December the National Development and Reform Commission (NDRC) announced that the state reserves plan to purchase 3 million tons of sugar to support sugar mills and farmers. From December 2012 to January 2013, first purchase totaled 1.5 million tons. It is unclear when the second purchase will occur.

NDRC noted that the government plans to establish an additional temporary industrial reserve, which will buy sugar at any point in time during the crushing season. Because there are not many sugar buyers, this gives sugar mills the opportunity to more promptly sell product, especially if additional financial liquidity is needed. The NDRC, Ministry of Trade and Commerce, Ministry of Finance, and Agricultural Development Bank jointly implement this program.

Other Sweeteners

Saccharine

The Chinese Sugar Association (CSA) manages and inspects Chinese saccharine plant production (e.g. reviews financial accounts, daily production, and inventory and sale reports) on an annual basis (for more information on CSA activities and how the Chinese government controls the saccharine market see GAIN CH12062 or CH12032). For 2012, CSA recently reported that the actual domestic sales and exports were 3,787 tons and 14,768 tons.

Starched-based Sweeteners
According to industry contacts, for CY 2013 total starch sugar production is forecast at 13.60 million tons, up 8 percent from the previous year. Despite low sugar prices in MY 2012/13, industry sources predict starch sugar will remain price competitive, and currently is approximately RMB 1,000 per ton cheaper than natural sugar. Due to relatively low prices, starch sugar is being increasingly used in the confectionary, dairy, beverage, food processing, and pharmaceutical sectors.

For CY 2012, growth of high fructose corn syrup (HFCS) production is estimated to ease 10 percent to 2.6 million tons (see Consumption section). Reportedly, HFCS is mainly used in the beverage and dairy sector, especially for soft drinks and yogurt products.

Tables

Production, Supply, and Demand (PSD) Tables

Table 1. Centrifugal Sugar

Sugar, Centrifugal China	2011/2012		2012/2013		2013/2014	
1000 tons	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	1,621	1,621	3,605	4,140		5,273
Beet Sugar Production	1,095	1,095	1,260	1,177		1,200
Cane Sugar Production	11,246	11,246	13,320	12,800		12,850
Total Sugar Production	12,341	12,341	14,580	13,977		14,050
Raw Imports	3,800	4,040	1,700	1,700		1,600
Refined Imp.(Raw Val)	390	390	300	300		400
Total Imports	4,190	4,430	2,000	2,000		2,000
Total Supply	18,152	18,392	20,185	20,117		21,323
Raw Exports	5	6	4	4		4
Refined Exp.(Raw Val)	42	46	40	40		40
Total Exports	47	52	44	44		44
Human Dom. Consumption	14,500	14,200	15,300	14,800		15,400
Other Disappearance	0		0	0		0
Total Use	14,500	14,200	15,300	14,800		15,400
Ending Stocks	3,605	4,140	4,841	5,273		5,879
Total Distribution	18,152	18,392	20,185	20,117		21,323

Table 2. Sugar Cane

Sugar Cane for Centrifugal China	2011/2012	2012/2013	2013/2014
1000 tons	Market Year Begin: Oct 2011	Market Year Begin: Oct 2012	Market Year Begin: Oct 2013

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 Ha)	1,740	1,721	1,790	1,790		1,750
Area Harvested	1,740	1,721	1,790	1,790		1,750
Production	114,434	114,435	130,000	128,000		130,000
Total Supply	114,434	114,435	130,000	128,000		130,000
Utilization for Sugar	114,434	114,435	130,000	128,000		130,000
Utilizatn for Alcohol	0		0	0		0
Total Utilization	114,434	114,435	130,000	128,000		130,000

Table 3. Sugar Beets

Sugar Beets China	2011/2012		2012/2013		2013/2014	
1000 tons	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 Ha)	262	227	300	300		300
Area Harvested	262	227	300	300		300
Production	10,731	10,731	12,340	12,500		12,500
Total Supply	10,731	10,731	12,340	12,500		12,500
Utilization for Sugar	10,731	10,731	12,340	12,500		12,500
Utilizatn for Alcohol	0		0	0		0
Total Distribution	10,731	10,731	12,340	12,500		12,500

Trade Tables

Table 4. China's Sugar Imports by Origin - MY 2011/2012

Country (tons)	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
World	1,249,936	499,254	945,275	1,567,088	4,261,553
Brazil	1,150,466	97,697	120	1,239,976	2,488,259
Thailand	17,343	129,200	596,260	199,813	942,616
Korea South	62,268	35,820	50,362	61,485	209,935
Cuba	0	155,000	215,200	55,800	426,000
Malaysia	5,716	295	264	4,356	10,631
India	590	546	2,600	3,952	7,688
Australia	7,033	1,272	28,116	1,549	37,970
Mauritius	324	0	76	93	493
Germany	24	5	3	23	55
United States	9	6	15	19	49
Taiwan	7	1	4	5	17
Japan	17	16	70	4	107
France	2	5	4	4	15
Iran	0	0	0	4	4
Others	6,137	79,391	52,181	5	137,714
Source: China Customs					

Table 5. China's Sugar Imports by Origin - MY 2012/2013

Country (tons)	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
World	735,758				735,758
Brazil	651,292				651,292
Thailand	11,396				11,396
Korea South	67,519				67,519
Cuba	0				0
Malaysia	2,893				2,893
India	0				0
Australia	1,371				1,371
Mauritius	309				309
Germany	26				26
United States	6				6
Taiwan	8				8
Japan	20				20
France	4				4
Iran	0				0
Others	914				914
Source: China Customs					

Table 6. China's Sugar Exports by Destination - MY 2011/2012

Country (tons)	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
World	11,325	11,700	15,537	9,695	48,257
Hong Kong	6,954	6,869	9,040	4,913	27,776
United States	1,286	667	711	358	3,022
Malaysia	627	665	647	769	2,708
Yemen	21	150	289	213	673
Canada	352	267	213	285	1,117
Singapore	234	153	341	226	954
Australia	77	117	132	121	447
Japan	120	1,493	3,197	318	5,128
United Arab Emirates	40	0	155	40	235
Macau	123	56	47	78	304
Panama	0	0	0	0	0
Jordan	40	0	20	0	60
Lebanon	42	64	0	22	128
Others	1,409	1,199	745	2,352	5,705
Source: China Customs					

Table 7. China's Sugar Exports by Destination - MY 2012/2013

Country (tons)	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
World	10,211				10,211
Hong Kong	6,540				6,540
United States	992				992
Malaysia	875				875

Yemen	368				368
Canada	303				303
Singapore	202				202
Australia	124				124
Japan	120				120
United Arab Emirates	101				101
Macau	101				101
Panama	77				77
Jordan	60				60
Lebanon	50				50
Others	298				298
Source: China Customs					